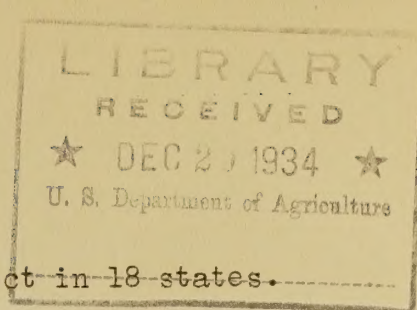


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The Federal Milk License



There are about 50 Federal milk licenses in effect in 18 states.

No Federal milk license is ever instituted without (1) a request from a substantial number of producers involved in the area, usually representing the major part of the milk volume supplied, and usually organized in cooperative associations under their respective State laws; and (2) a public hearing upon 10 days advance notice, at which producers, distributors, consumers' agencies, health departments, and all interested parties who might contribute facts on the situation are expected and invited to appear with statements. Where State Milk Control Boards are functioning, due weight is given to their attitude and their experience and desires.

Licenses are issued only to distributing agencies, clearly defined in the preamble, and with the limits of the sales area stated distinctly. Distributors who sell only milk of their own production are treated in a special way.

Licenses are administered by a "Market Administrator" who is a competent person, well qualified and acceptable to the market, named by and under bond to the Secretary of Agriculture, with duties prescribed, and subject to removal by the Secretary. The Market Administrator has no power to amend or alter the terms and conditions of the license. He is not paid by the Federal Government, but is paid by producers.

All licenses contain a schedule of minimum prices payable by distributors according to the use made of the milk purchased from producers, in all but one license the prices being established f.o.b. distributor's plants.

All licenses provide for the equalization of the cost of milk to distributors in accordance with the use made of milk by each distributor and for the equalization of payments to producers. These two effects are accomplished through a so-called equalization fund into which or from which each distributor pays or draws, as the case may be, the difference between the amount of his direct payments to producers and the cost of the milk he uses at the prices specified in the license.

The method of payment used varies with need and experience, sometimes being on the base-surplus plan and sometimes on a straight pool plan with a single blended price. All licenses afford protective features, such as check testing and weighing of milk, right to examine distributors' books by the Market Administrator or other representative of the Secretary, and information on supplies and sales. The expense of services and administration is borne by producers on an equal basis.

No resale prices of a general or specific nature are in the licenses. In a few cases limited minimum resale price schedules are used to keep certain markets from extremely low-level competition harmful to the stability of the market. No regulation of health provisions is used in any Federal license, such regulation being left to the local authorities.

